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[CIA/RP/78-10013 m]

10 January

MEMORANDUM

SUBJECT: Background and Likely Course of the Italian Political Crisis

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1. It has been clear since Prime Minister Andreotti took office 16 months ago--relying on Communist abstention in parliament--that various trends were working to ease the traditional rivalry between his Christian Democrats and the Communists and to push them toward closer cooperation. Most of these trends have accelerated in recent weeks:

- The impression has grown rapidly that the country's problems, particularly in the areas of the economy and public order, require a government reflecting a broader consensus among the parties;
- The worsening disarray in the Socialist Party appears to have led most Christian Democratic leaders to conclude that an alliance with it no longer represents a workable alternative to rapprochement with the Communists;
- The Communists, meanwhile, have acted as the government's shock absorber with organized labor and provided crucial parliamentary support on key issues--all the while continuing to convey the impression that they are evolving away from orthodoxy.
- All of this, coupled with the desire of most leading Christian Democrats for Communist support in next December's presidential election, has led to a marked decline in Christian Democratic resistance to closer collaboration with the Communists. The Christian Democrats have signaled this in many ways, for instance by permitting the Communists to join the traditional governing parties in a formal parliamentary endorsement of NATC--a move

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suggesting that the Christian Democrats no longer plan to place as much emphasis on their traditional claim that the Communists represent a threat to Italy's western orientation.

2. Adding all of this up, Communist Party chief Berlinguer--under growing pressure from his rank and file, particularly in organized labor--apparently decided just before Christmas that the time was ripe to push for new concessions; in an uncharacteristically tough and rigid tone, Berlinguer demanded full Communist participation in a broadly-based "national emergency" coalition.

3. The Socialist and Republican parties had already been calling for such a change, and the firmness with which Berlinguer made his move led politicians to conclude it would be impossible to stave off a government crisis. Andreotti is therefore likely to resign before long, opening a period of negotiations among the parties on a new government.

4. Strategy sessions being held this week will set the course for the negotiations. The Christian Democratic directorate meets on Wednesday to formulate the party's first official response to Berlinguer's demand. Although top Christian Democratic leaders are unanimously on record against admitting the Communists to the cabinet at this time, all but one of the party's major faction leaders are clearly ready to give Berlinguer almost anything short of that.

5. Christian Democratic leaders, for example, have reportedly sounded out the small Social Democratic and Republican parties about joining them in a new government whose parliamentary majority would formally include the Communists. The Communists have long viewed such a development as the penultimate stage in their plan for a step by step progression toward a cabinet role.

6. In floating such ideas, Christian Democratic leaders may face their toughest selling job with lower level officials of their own party. About sixty of the party's 398 legislators, for example, have signed an open letter against any new concessions to the Communists. Most of these are reform-minded first termers who were elected largely on the basis of their anti-communist views.

7. They are trying to convince the party leadership that it is worth trying another election before taking a step that could make further opposition to a Communist cabinet role academic. But while top Christian Democrats see a strong possibility of gains in an election, they argue

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that the Communists would hold their own or gain slightly in an election held now and that the confrontation would thus solve nothing.

8. Meanwhile, the Socialist leadership will meet on Friday and the Communist central committee will convene early next week to evaluate the Christian Democrats' official posture. The Socialists are also pushing for Communist inclusion in the government but their ability to affect matters will be hindered by an internal power struggle that has forced Socialist chief Craxi to devote most of his energy to the task of simply keeping his job.

9. For their part, the Communists have said little officially since Berlinguer's demand for a cabinet role. [redacted] however, [redacted] Berlinguer is prepared to settle for less, [redacted]

[redacted] the party leadership is aiming to come out of the negotiations with some formula that brings the party into the government's parliamentary majority. Differences of opinion within the leadership center mainly on tactical questions, with one group, including Berlinguer, wanting to hold out for cabinet posts until the last minute and another group arguing that the party should avoid long and tedious negotiations and settle quickly for membership in the majority.] [redacted]

10. But Berlinguer's tough talk has probably raised high hopes among the rank and file, and he may feel it necessary to demonstrate that he has at least a toe hold in the cabinet. In that event, he might press for the inclusion in the cabinet of several "technicians" who are close to but not necessarily members of the party.

11. In short, to avoid an election, the parties must find a formula that satisfies the Communists without provoking a split in the Christian Democratic Party. Chances at this point appear better than even that they will succeed.

12. Assuming they do, the bargaining process and the adjustment to a new government could easily consume much of the time remaining before June, when President Leone will enter his "white semester"--the last six months of his term during which he can no longer dissolve parliament and schedule new elections.

13. As outlined in our recent memo, "Italy: A Look Ahead," we believe interparty bargaining leading up to the presidential election is likely to involve negotiations over a formula for bringing the Communists into a coalition government, probably after the next parliamentary election which--assuming it can be avoided now--is likely to take place by mid-1979.

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